

Message Text

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ORIGIN EB-07

INFO OCT-01 AF-10 ARA-06 EUR-12 EA-07 NEA-10 ISO-00
SS-15 FEA-01 NSC-05 TRSE-00 SP-02 SIG-01 CIAE-00
INR-07 NSAE-00 /084 R

DRAFTED BY EB/ORF/FSE:DFHART:MW
APPROVED BY EB-JLKATZ
E-RCOOPER
FEA:CTHOMPSON
WHITE HOUSE:HBERGOLD
TREASURY:CSCHOTTA(SUBSTANCE)
NEA:SSOBER
S/P:TMORAN
NEA/ARP:JTWINAM
EB/ORF:SBOSWORTH

-----070114Z 090940 /66

P 070004Z JUN 77
FM SECSTATE WASHDC
TO AMEMBASSY CAIRO PRIORITY
AMEMBASSY CARACAS PRIORITY
AMCONSUL DHAHRAN PRIORITY
AMEMBASSY DOHA PRIORITY
AMEMBASSY JAKARTA PRIORITY
AMEMBASSY JIDDA PRIORITY
AMEMBASSY KUWAIT PRIORITY
AMEMBASSY LAGOS PRIORITY
AMEMBASSY LIBREVILLE PRIORITY
AMEMBASSY LONDON PRIORITY
AMEMBASSY MANAMA PRIORITY
AMEMBASSY PARIS PRIORITY
AMEMBASSY QUITO PRIORITY
AMEMBASSY TEHRAN PRIORITY
AMEMBASSY TRIPOLI PRIORITY
AMEMBASSY TOKYO PRIORITY
USINT BAGHDAD PRIORITY
AMEMBASSY ALGIERS PRIORITY
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AMEMBASSY ABU DHABI PRIORITY

C O N F I D E N T I A L STATE 130415

E.O. 11652: GDS

TAGS: ENRG, OPEC

SUBJECT: FAHD VISIT AND OIL PRICES

REF: ABU DHABI 1623; STATE 124499

1. THE FOLLOWING IS FOR YOUR BACKGROUND INFORMATION AND GUIDANCE IN DEALING WITH THE OIL PRICE QUESTION. FAHD'S VISIT PROVIDED AN OPPORTUNITY FOR HIGHEST LEVEL USG OFFICIALS TO EXPRESS APPRECIATION FOR THE PRICE AND PRODUCTION POLICIES BEING PURSUED BY SAUDI ARABIA AND TO STRESS THE IMPORTANCE OF CONTINUED MODERATION. WE AND THE SAUDIS AGREED THAT ENERGY PRICE INCREASES HAVE A PARTICULARLY DAMAGING EFFECT ON POORER DEVELOPING COUNTRIES, ON CERTAIN OF THE WEAKER ECONOMIES AMONG THE INDUSTRIALIZED COUNTRIES, AND ON WORLD ECONOMY GENERALLY. THE SAUDIS AFFIRMED THEIR COMMITMENT TO MODERATION AND SPECIFICALLY ASSURED US THAT THEY WOULD NOT USE PRICE AND PRODUCTION DECISIONS TO TRY TO LEVERAGE THE MIDDLE EAST POLITICAL PROCESS.

2. OUR PRICE OBJECTIVE IN BILATERAL DEALINGS WITH SAUDI ARABIA AND OTHER PRODUCERS REMAINS THAT OF DISCOURAGING FUTURE OPEC PRICE INCREASES. WE GAVE NO SIGNAL THAT WE

FAVOR A PRICE COMPROMISE WITHIN OPEC. ALTHOUGH THE SAUDIS HAVE BEEN PRESSURED BY THE UPPER TIER PRODUCERS TO INCREASE PRICES BY FIVE PERCENT IN JULY, THEY ARE HOLDING THEIR OPTIONS OPEN. WE FAVOR NO PRICE INCREASE. IF THE SAUDIS RAISE THEIR PRICES AT ALL, WE EXPECT
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THEY WOULD SEEK AN UNDERSTANDING THAT WOULD CALL FOR A PERIOD OF STABILITY IN THE PRICES OF THE UPPER TIER PRODUCERS BEYOND THE END OF 1977.

3. THE PRESIDENT'S PROPOSALS TO CONGRESS TO MOVE US DOMESTIC OIL PRICES TOWARD WORLD LEVELS THROUGH PHASED-IN TAX AND PRICE INCREASES DO NOT CONSTITUTE A SHIFT IN US POLICY TOWARD ENDORSEMENT OF OPEC PRICE INCREASES. THE PURPOSE OF THE PRESIDENT'S PLAN IS TO PROMOTE CONSERVATION BY CHARGING OIL AND GAS USERS MORE REALISTIC PRICES, RECOGNIZING THE REALITY THOUGH NOT THE PROPRIETY OF HIGH WORLD OIL PRICES.

4. US ACCEPTANCE OF THE NEED TO CONSERVE ENERGY DOES NOT INDICATE A LESSENING OF OUR CONCERN ABOUT OPEC PRICE DECISIONS AND THEIR IMPACT. ON THE CONTRARY, THE INTERESTS OF INDUSTRIALIZED COUNTRIES, LDCS AND THE OPEC NATIONS THEMSELVES, REQUIRE WORLD ECONOMIC STABILITY AND THUS STABILITY IN THE PRICE OF OIL. VANCE

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Message Attributes

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Control Number: n/a
Copy: SINGLE
Sent Date: 07-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: DFHART:MW
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770201-0952
Format: TEL
From: STATE
Handling Restrictions: n/a
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Litigation Codes:
Litigation History:
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TAGS: ENRG, OVIP, OPEC, (FAHD, PRINCE)
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